



Dave Yost • Auditor of State



**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Conotton Valley Union Local School District  
Harrison County  
21 Mound Street  
P.O. Box 187  
Sherrodsville, Ohio 44675

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 9, 2015

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

The management's discussion and analysis of the Conotton Valley Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$735,198, which represents a 49.30% increase from 2013.
- General revenues accounted for \$4,823,547 in revenue or 80.71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,152,999 or 19.29% of total revenues of \$5,976,546.
- The District had \$5,241,348 in expenses related to governmental activities; \$1,152,999 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,823,547 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$5,187,066 in revenues and \$4,611,952 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$575,114 from a balance of \$493,148 to \$1,068,262.
- The permanent improvement fund had \$311,358 in revenues and other financing sources and \$240,310 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance increased \$71,048 from a balance of \$215,901 to \$286,949.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 3,856,674	\$ 3,320,156
Capital assets, net	<u>651,290</u>	<u>502,454</u>
Total assets	<u>4,507,964</u>	<u>3,822,610</u>
<b><u>Liabilities</u></b>		
Current liabilities	435,812	452,747
Long-term liabilities	<u>312,150</u>	<u>141,452</u>
Total liabilities	<u>747,962</u>	<u>594,199</u>
Deferred inflows of resources	<u>1,533,402</u>	<u>1,737,009</u>
Total liabilities and deferred inflows of resources	<u>2,281,364</u>	<u>2,331,208</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	489,246	502,454
Restricted	374,151	277,061
Unrestricted	<u>1,363,203</u>	<u>711,887</u>
Total net position	<u>\$ 2,226,600</u>	<u>\$ 1,491,402</u>

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

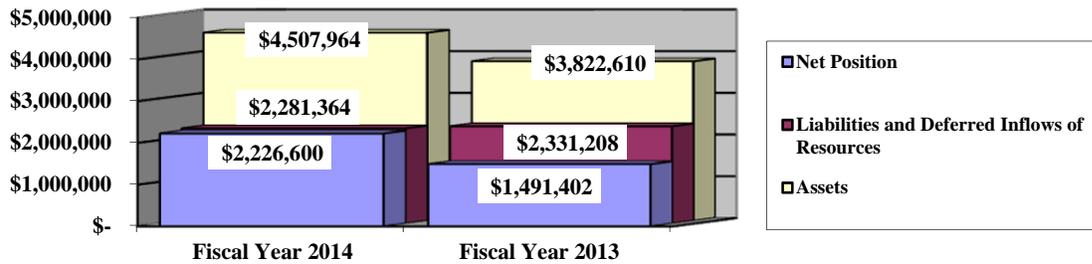
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$2,226,600. Of this total, \$1,363,203 is unrestricted in use.

At year end, capital assets represented 14.45% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$489,246. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$374,151, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$1,363,203 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental activities liabilities and deferred inflows of resources, net position and assets as of June 30, 2014 and June 30, 2013.

**Governmental Activities**



The table below and on the following page shows the change in net position for fiscal year 2014 and 2013.

	<b>Change in Net Position</b>	
	Governmental Activities 2014	Governmental Activities 2013
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 465,554	\$ 469,563
Operating grants and contributions	687,445	680,229
General revenues:		
Property taxes	2,327,467	2,246,970
Grants and entitlements	2,474,939	2,341,652
Investment earnings	129	173
Other	21,012	40,472
Total revenues	5,976,546	5,779,059

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

**Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	2,299,768	2,415,549
Special	654,362	544,064
Vocational	71,573	-
Other	11,838	10,086
Support services:		
Pupil	188,132	191,502
Instructional staff	98,605	172,409
Board of education	28,746	15,656
Administration	487,829	542,794
Fiscal	191,118	240,215
Business	-	55
Operations and maintenance	428,237	487,599
Pupil transportation	420,372	348,769
Central	48,995	20,629
Operation of non-instructional services:		
Other non-instructional services	4,067	-
Food service operations	144,315	211,954
Extracurricular activities	163,391	128,987
Interest and fiscal charges	-	391
Total expenses	<u>5,241,348</u>	<u>5,330,659</u>
Change in net position	735,198	448,400
Net position at beginning of year	<u>1,491,402</u>	<u>1,043,002</u>
Netposition at end of year	<u><u>\$ 2,226,600</u></u>	<u><u>\$ 1,491,402</u></u>

**Governmental Activities**

Net position of the District's governmental activities increased \$735,198. Total governmental expenses of \$5,241,348 were offset by program revenues of \$1,152,999 and general revenues of \$4,823,547. Program revenues supported 22.00% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 80.35% of total governmental revenue.

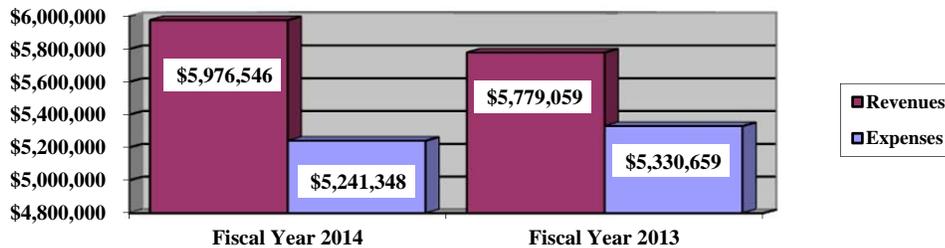
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,037,541 or 57.95% of total governmental expenses for fiscal year 2014.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
<b>Program expenses</b>				
Instruction:				
Regular	2,299,768	1,937,536	2,415,549	2,041,111
Special	654,362	142,501	544,064	89,657
Vocational	71,573	69,665	-	(1,914)
Other	11,838	11,838	10,086	10,086
Support services:				
Pupil	188,132	187,480	191,502	190,004
Instructional staff	98,605	88,557	172,409	137,858
Board of education	28,746	28,746	15,656	15,656
Administration	487,829	473,748	542,794	524,139
Fiscal	191,118	189,205	240,215	240,215
Business	-	-	55	6
Operations and maintenance	428,237	428,237	487,599	487,599
Pupil transportation	420,372	398,027	348,769	348,769
Central	48,995	45,395	20,629	15,229
Operation of non-instructional services:				
Food service operations	144,315	(3,439)	211,954	23,669
Other non-instructional services	4,067	4,067	-	-
Extracurricular activities	163,391	86,786	128,987	58,392
Interest and fiscal charges	-	-	391	391
<b>Total expenses</b>	<u>\$ 5,241,348</u>	<u>\$ 4,088,349</u>	<u>\$ 5,330,659</u>	<u>\$ 4,180,867</u>

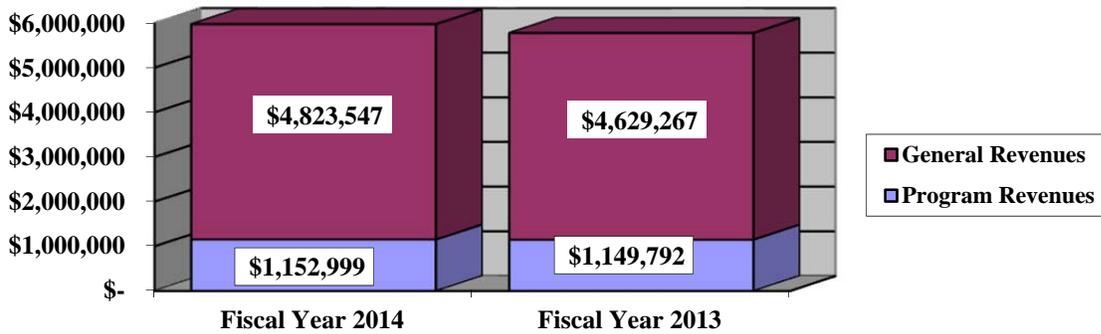
**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

The dependence upon tax and other general revenues for governmental activities is apparent as 71.16% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.00%. The District's taxpayers and grants and entitlements not restricted to specific programs, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,399,065, which is more than last year's total of \$746,769. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	<u>Fund Balance June 30, 2014</u>	<u>Fund Balance June 30, 2013</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 1,068,262	\$ 493,148	\$ 575,114	116.62 %
Permanent Improvement	286,949	215,901	71,048	32.91 %
Other Governmental	<u>43,854</u>	<u>37,720</u>	<u>6,134</u>	16.26 %
Total	<u>\$ 1,399,065</u>	<u>\$ 746,769</u>	<u>\$ 652,296</u>	87.35 %

An analysis of the general fund revenues and expenditures is provided on the following page.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

***General Fund***

The District's general fund balance increased \$575,114.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,163,368	\$ 1,967,793	\$ 195,575	9.94 %
Earnings on investments	129	173	(44)	(25.43) %
Intergovernmental	2,621,457	2,533,373	88,084	3.48 %
Tuition	368,553	358,529	10,024	2.80 %
Other revenues	<u>33,559</u>	<u>51,141</u>	<u>(17,582)</u>	(34.38) %
Total	<u>\$ 5,187,066</u>	<u>\$ 4,911,009</u>	<u>\$ 276,057</u>	5.62 %
<b><u>Expenditures</u></b>				
Instruction	\$ 2,714,268	\$ 2,717,723	\$ (3,455)	(0.13) %
Support services	1,804,332	1,901,493	(97,161)	(5.11) %
Extracurricular activities	93,352	80,905	12,447	15.38 %
Debt service	<u>-</u>	<u>14,711</u>	<u>(14,711)</u>	(100.00) %
Total	<u>\$ 4,611,952</u>	<u>\$ 4,714,832</u>	<u>\$ (102,880)</u>	(2.18) %

Revenues of the general fund increased \$276,057 or 5.62%. Tax revenue increased \$195,575. This increase is due mainly to more taxes being collected during fiscal year 2014. The decrease of \$44 in earnings on investment is the result of decreased interest rates. Other revenues decreased \$17,582 due to a reduction in contributions and donations and miscellaneous revenues. All other revenues remained comparable to prior years.

Expenditures of the general fund decreased \$102,880 or 2.18%. Support service expenditures decreased \$97,161 or 5.11%. This decrease is due to staff reductions, both certified and classified during fiscal year 2014. All other expenditures remained comparable to prior years.

***Permanent Improvement Fund***

The permanent improvement fund had \$149,314 in revenues and \$240,310 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance increased \$71,048 from a balance of \$215,901 to \$286,949. This increase was due to an increase in capital leases from the addition of 2 buses during fiscal year 2014.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2014, the District did not amend its general fund budget. For the general fund, final budgeted revenues were \$4,842,820, which was the same as original budgeted revenues. Actual revenues and other financing sources for fiscal year 2014 were \$4,936,251. This represents a \$93,431 increase from final and original budgeted revenues.

General fund original appropriations and other financing uses of \$4,736,138 the same in the final budget. The actual budget basis expenditures for fiscal year 2014 totaled \$4,643,052, which were \$93,086 less than the final and original budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$651,290 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2014 balances compared to June 30, 2013:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 75,820	\$ 75,820
Land improvements	64,411	73,963
Building and improvements	242,451	238,988
Furniture and equipment	71,333	70,087
Vehicles	197,275	43,596
Total	\$ 651,290	\$ 502,454

The overall increase in capital assets of \$148,836 is due in part to the addition of a capital lease of \$162,044 for two buses purchased in fiscal year 2014.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

***Debt Administration***

At June 30, 2014, the District had \$162,044 in capital lease obligations outstanding; of this amount, \$33,811 is due within one year and \$128,233 is due within more than one year. A summary of the District's long-term obligations outstanding at June 30, 2014 and 2013:

	Governmental Activities 2014	Governmental Activities 2013
Capital Lease	\$ 162,044	\$ -

For further information regarding the District's long-term obligations, refer to Note 9 in the basic financial statements.

At June 30, 2014, the District's overall legal debt margin was \$6,634,184, with an unvoted debt margin of \$73,713.

**Current Financial Related Activities**

For fiscal year 2015, the District will be able to meet its obligations. The District relies upon property taxes and the State foundation program. The District's property tax revenue collection is expected to increase only slightly in fiscal year 2015. This tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2015.

For the past three years the District has attempted passage of three levies for operating expenses. As a result of the failure of all three levies, the District's Board of Education chose to close the Sherrodsville Elementary building effective at the end of fiscal year 2013 and eliminate several positions, both certified and classified.

On July 1, 2013, the District's typical education-environment, low-deductible health insurance plan type with Aultcare was re-structured into a high-deductible plan type. This new arrangement is projected to save the District \$242,000 in health insurance costs for fiscal year 2014. These two actions have made a positive impact on District finances.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Debra DiDonato, Treasurer, Conotton Valley Union Local School District, 21 Mound Street, P.O. Box 187, Sherrodsville, Ohio 44675.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,213,699
Receivables:	
Property taxes . . . . .	2,540,826
Intergovernmental . . . . .	73,699
Prepayments . . . . .	26,764
Materials and supplies inventory. . . . .	1,686
Capital assets:	
Nondepreciable capital assets . . . . .	75,820
Depreciable capital assets, net. . . . .	575,470
Capital assets, net . . . . .	<u>651,290</u>
Total assets. . . . .	<u>4,507,964</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	3,070
Accrued wages and benefits payable . . . . .	298,682
Pension obligation payable. . . . .	70,287
Intergovernmental payable . . . . .	63,773
Long-term liabilities:	
Due within one year. . . . .	85,216
Due in more than one year. . . . .	226,934
Total liabilities . . . . .	<u>747,962</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	<u>1,533,402</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	489,246
Restricted for:	
Capital projects . . . . .	310,322
Locally funded programs . . . . .	1,251
State funded programs. . . . .	14,761
Federally funded programs . . . . .	19,915
Student activities . . . . .	27,902
Unrestricted . . . . .	1,363,203
Total net position. . . . .	<u>\$ 2,226,600</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,299,768	\$ 316,175	\$ 46,057	\$ (1,937,536)
Special . . . . .	654,362	52,378	459,483	(142,501)
Vocational . . . . .	71,573	-	1,908	(69,665)
Other . . . . .	11,838	-	-	(11,838)
Support services:				
Pupil. . . . .	188,132	-	652	(187,480)
Instructional staff . . . . .	98,605	-	10,048	(88,557)
Board of education . . . . .	28,746	-	-	(28,746)
Administration. . . . .	487,829	-	14,081	(473,748)
Fiscal. . . . .	191,118	-	1,913	(189,205)
Operations and maintenance . . . . .	428,237	-	-	(428,237)
Pupil transportation. . . . .	420,372	-	22,345	(398,027)
Central . . . . .	48,995	-	3,600	(45,395)
Operation of non-instructional services:				
Other non-instructional services . . . . .	4,067	-	-	(4,067)
Food service operations . . . . .	144,315	57,724	90,030	3,439
Extracurricular activities. . . . .	163,391	39,277	37,328	(86,786)
Total governmental activities . . . . .	\$ 5,241,348	\$ 465,554	\$ 687,445	(4,088,349)
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				2,200,315
Capital outlay . . . . .				127,152
Grants and entitlements not restricted to specific programs . . . . .				2,474,939
Investment earnings . . . . .				129
Miscellaneous . . . . .				21,012
Total general revenues . . . . .				4,823,547
Change in net position . . . . .				735,198
<b>Net position at beginning of year . . . . .</b>				<b>1,491,402</b>
<b>Net position at end of year. . . . .</b>				<b>\$ 2,226,600</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 843,928	\$ 263,842	\$ 105,929	\$ 1,213,699
Receivables:				
Property taxes. . . . .	2,390,953	149,873	-	2,540,826
Intergovernmental. . . . .	30,271	-	43,428	73,699
Prepayments. . . . .	26,764	-	-	26,764
Materials and supplies inventory. . . . .	-	-	1,686	1,686
Total assets . . . . .	<u>\$ 3,291,916</u>	<u>\$ 413,715</u>	<u>\$ 151,043</u>	<u>\$ 3,856,674</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 2,024	\$ 1,046	\$ -	\$ 3,070
Accrued wages and benefits payable . . . . .	268,189	-	30,493	298,682
Pension obligation payable . . . . .	66,964	-	3,323	70,287
Compensated absences payable . . . . .	33,587	-	3,067	36,654
Intergovernmental payable . . . . .	10,611	-	53,162	63,773
Total liabilities. . . . .	<u>381,375</u>	<u>1,046</u>	<u>90,045</u>	<u>472,466</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	1,431,055	102,347	-	1,533,402
Delinquent property tax revenue not available. . . . .	380,953	23,373	-	404,326
Other nonexchange transactions not available. . . . .	-	-	17,144	17,144
Intergovernmental revenue not available . . . . .	30,271	-	-	30,271
Total deferred inflows of resources. . . . .	<u>1,842,279</u>	<u>125,720</u>	<u>17,144</u>	<u>1,985,143</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	-	-	1,686	1,686
Prepays. . . . .	26,764	-	-	26,764
Restricted:				
Capital improvements . . . . .	-	286,949	-	286,949
Public school preschool . . . . .	-	-	3,388	3,388
Special education . . . . .	-	-	106	106
Targeted academic assistance . . . . .	-	-	14,038	14,038
Extracurricular. . . . .	-	-	27,902	27,902
Other purposes. . . . .	-	-	1,251	1,251
Assigned:				
Student instruction . . . . .	1,983	-	-	1,983
Student and staff support. . . . .	669	-	-	669
Public school support . . . . .	7,752	-	-	7,752
Unassigned . . . . .	1,031,094	-	(4,517)	1,026,577
Total fund balances . . . . .	<u>1,068,262</u>	<u>286,949</u>	<u>43,854</u>	<u>1,399,065</u>
Total liabilities, deferred inflows of resources and fund balances. . . . .	<u>\$ 3,291,916</u>	<u>\$ 413,715</u>	<u>\$ 151,043</u>	<u>\$ 3,856,674</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$ 1,399,065
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		651,290
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 404,326	
Intergovernmental receivable	47,415	
Total	451,741	451,741
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(162,044)	
Compensated absences	(113,452)	
Total	(275,496)	(275,496)
<b>Net position of governmental activities</b>		<b>\$ 2,226,600</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,163,368	\$ 126,918	\$ -	\$ 2,290,286
Tuition. . . . .	368,553	-	-	368,553
Charges for services . . . . .	-	-	57,724	57,724
Earnings on investments . . . . .	129	-	-	129
Extracurricular. . . . .	12,547	-	26,730	39,277
Contributions and donations . . . . .	3,108	-	14,748	17,856
Other local revenues . . . . .	17,904	-	22,580	40,484
Intergovernmental - intermediate . . . . .	-	-	2,998	2,998
Intergovernmental - state . . . . .	2,621,457	22,396	22,130	2,665,983
Intergovernmental - federal . . . . .	-	-	438,931	438,931
Total revenues . . . . .	<u>5,187,066</u>	<u>149,314</u>	<u>585,841</u>	<u>5,922,221</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	2,259,011	22,023	40,301	2,321,335
Special . . . . .	371,846	17,246	264,721	653,813
Vocational . . . . .	71,573	-	-	71,573
Other . . . . .	11,838	-	-	11,838
Support services:				
Pupil . . . . .	187,543	-	655	188,198
Instructional staff . . . . .	89,425	-	9,195	98,620
Board of education . . . . .	28,307	-	-	28,307
Administration . . . . .	484,915	-	13,965	498,880
Fiscal . . . . .	187,670	4,953	1,746	194,369
Operations and maintenance . . . . .	415,538	8,074	-	423,612
Pupil transportation . . . . .	370,264	20,003	22,449	412,716
Central . . . . .	40,670	-	3,600	44,270
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	4,067	-	4,067
Food service operations. . . . .	-	-	150,072	150,072
Extracurricular activities . . . . .	93,352	-	73,003	166,355
Facilities acquisition and construction. . . . .	-	1,900	-	1,900
Capital outlay . . . . .	-	162,044	-	162,044
Total expenditures . . . . .	<u>4,611,952</u>	<u>240,310</u>	<u>579,707</u>	<u>5,431,969</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>575,114</u>	<u>(90,996)</u>	<u>6,134</u>	<u>490,252</u>
<b>Other financing sources:</b>				
Capital lease transaction . . . . .	-	162,044	-	162,044
Total other financing sources . . . . .	<u>-</u>	<u>162,044</u>	<u>-</u>	<u>162,044</u>
Net change in fund balances . . . . .	575,114	71,048	6,134	652,296
<b>Fund balances at beginning of year. . . . .</b>	<u>493,148</u>	<u>215,901</u>	<u>37,720</u>	<u>746,769</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,068,262</u>	<u>\$ 286,949</u>	<u>\$ 43,854</u>	<u>\$ 1,399,065</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Net change in fund balances - total governmental funds** \$ 652,296

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense.

Capital asset additions	\$ 220,776	
Current year depreciation	(60,801)	
<b>Total</b>	<b>159,975</b>	<b>159,975</b>

The net effect of various miscellaneous transactions involving  
capital assets (i.e., sales, disposals, trade-ins, and donations) is to  
decrease net position. (11,139)

Revenues in the statement of activities that do not provide  
current financial resources are not reported as revenues in  
the funds.

Property taxes	37,182	
Intergovernmental	40,677	
<b>Total</b>	<b>77,859</b>	<b>77,859</b>

Issuances of capital leases are recorded as other financing  
sources in the funds; however, in the statement of activities, they are  
not reported as other financing sources as they increase liabilities  
on the statement of net position. (162,044)

Some expenses reported in the statement of activities,  
such as compensated absences, do not require the use of current  
financial resources and therefore are not reported as expenditures  
in governmental funds.

18,251

**Change in net position of governmental activities** \$ 735,198

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,980,000	\$ 1,980,000	\$ 1,919,582	\$ (60,418)
Tuition . . . . .	325,000	325,000	368,553	43,553
Earnings on investments . . . . .	1,000	1,000	129	(871)
Contributions and donations . . . . .	10,000	10,000	500	(9,500)
Other local revenues . . . . .	15,000	15,000	26,030	11,030
Intergovernmental - state . . . . .	2,511,820	2,511,820	2,621,457	109,637
<b>Total revenues . . . . .</b>	<u>4,842,820</u>	<u>4,842,820</u>	<u>4,936,251</u>	<u>93,431</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,303,407	2,303,407	2,297,301	6,106
Special . . . . .	339,210	339,210	338,348	862
Vocational . . . . .	65,063	65,063	64,732	331
Other . . . . .	11,810	11,810	11,624	186
Support services:				
Pupil . . . . .	188,425	188,425	188,178	247
Instructional staff . . . . .	103,628	103,628	103,232	396
Board of education . . . . .	28,935	28,935	28,519	416
Administration . . . . .	489,897	489,897	488,990	907
Fiscal . . . . .	189,566	189,566	188,097	1,469
Operations and maintenance . . . . .	445,151	445,151	425,055	20,096
Pupil transportation . . . . .	414,175	414,175	376,316	37,859
Central . . . . .	43,196	43,196	39,202	3,994
Extracurricular activities . . . . .	103,675	103,675	93,458	10,217
<b>Total expenditures . . . . .</b>	<u>4,726,138</u>	<u>4,726,138</u>	<u>4,643,052</u>	<u>83,086</u>
Excess of revenues over expenditures . . . . .	<u>116,682</u>	<u>116,682</u>	<u>293,199</u>	<u>176,517</u>
<b>Other financing uses:</b>				
Transfers . . . . .	(10,000)	(10,000)	-	10,000
<b>Total other financing uses . . . . .</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance . . . . .	106,682	106,682	293,199	186,517
<b>Fund balance at beginning of year . . . . .</b>	531,123	531,123	531,123	-
<b>Prior year encumbrances appropriated . . . . .</b>	2,647	2,647	2,647	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 640,452</u>	<u>\$ 640,452</u>	<u>\$ 826,969</u>	<u>\$ 186,517</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 196,483	\$ 14,418
Total assets. . . . .	196,483	\$ 14,418
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 14,418
Total liabilities . . . . .	-	\$ 14,418
<b>Net position:</b>		
Held in trust for scholarships . . . . .	196,483	
Total net position. . . . .	\$ 196,483	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 242
Total additions. . . . .	242
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,000
Change in net position . . . . .	(3,758)
<b>Net position at beginning of year. . . . .</b>	<b>200,241</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 196,483</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Conotton Valley Union Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board controls the District's 3 instructional/support facilities staffed by 5 administrators, 23 classified and 36 certified full-time teaching personnel, who provide services to 431 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts and acts in the capacity of fiscal agent for OME-RESA.

*INSURANCE PURCHASING POOLS*

Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) / CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OSBA and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

*General fund* -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Permanent Improvement fund* -The permanent improvement fund is used to account for all transactions that are restricted to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.Ohio.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust funds are private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Harrison County Budget Commission for tax rate determination. The Harrison County Budget Commission waived this requirement for fiscal year 2014.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for the general fund and for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$129, which includes \$57 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net position. At June 30, 2014 there are no interfund balances.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and employees at any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the fund financial statements when due.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 2,816
Miscellaneous federal grants	15

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$1,292,793. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$1,113,334 of the District’s bank balance of \$1,363,334 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 131,807</u>	<u>\$ 131,807</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio was rated AAAM and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 131,807</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,292,793
Investments	<u>131,807</u>
Total	<u>\$ 1,424,600</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 1,213,699
Private-purpose trust fund	196,483
Agency funds	<u>14,418</u>
Total	<u>\$ 1,424,600</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Harrison and Carroll Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$578,945 in the general fund and \$24,153 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$335,159 in the general fund and \$21,332 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 64,389,190	90.21	\$ 66,653,040	90.42
Public utility personal	<u>6,990,000</u>	<u>9.79</u>	<u>7,060,120</u>	<u>9.58</u>
Total	<u>\$ 71,379,190</u>	<u>100.00</u>	<u>\$ 73,713,160</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$47.45		\$48.15

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 2,540,826
Intergovernmental	<u>73,699</u>
Total	<u>\$ 2,614,525</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 75,820	\$ -	\$ -	\$ 75,820
Total capital assets, not being depreciated	<u>75,820</u>	<u>-</u>	<u>-</u>	<u>75,820</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	188,479	-	(16,542)	171,937
Buildings and improvements	1,226,795	23,601	(51,858)	1,198,538
Furniture and equipment	632,864	15,128	(50,234)	597,758
Vehicles	<u>745,015</u>	<u>182,047</u>	<u>-</u>	<u>927,062</u>
Total capital assets, being depreciated	<u>2,793,153</u>	<u>220,776</u>	<u>(118,634)</u>	<u>2,895,295</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(114,516)	(4,907)	11,897	(107,526)
Buildings and improvements	(987,807)	(13,644)	45,364	(956,087)
Furniture and equipment	(562,777)	(13,882)	50,234	(526,425)
Vehicles	<u>(701,419)</u>	<u>(28,368)</u>	<u>-</u>	<u>(729,787)</u>
Total accumulated depreciation	<u>(2,366,519)</u>	<u>(60,801)</u>	<u>107,495</u>	<u>(2,319,825)</u>
Governmental activities capital assets, net	<u>\$ 502,454</u>	<u>\$ 159,975</u>	<u>\$ (11,139)</u>	<u>\$ 651,290</u>

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 5,940
Special	111
<u>Support services:</u>	
Instructional staff	55
Board of education	439
Administration	1,436
Fiscal	879
Operations and maintenance	12,091
Pupil transportation	32,111
Central	5,836
Extracurricular activities	1,057
Food service operations	<u>846</u>
Total depreciation expense	<u>\$ 60,801</u>

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In the current fiscal year, the District entered into capitalized lease for two buses. This lease agreement met the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as pupil transportation expenditures on the budgetary statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$162,044. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 for the buses amounted to \$10,128 leaving a current book value of \$151,916. A corresponding liability was recorded in the government-wide financial statements. The District did not make any payments for fiscal year 2014. The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments:

<u>Fiscal Year Ending June 30, 2014</u>	<u>Amount</u>
2015	\$ 34,169
2016	34,169
2017	34,169
2018	34,169
2019	<u>34,169</u>
Total minimum lease payments	170,845
Less: amount representing interest	<u>(8,801)</u>
Total	<u>\$ 162,044</u>

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding	Additions	Reductions	Balance Outstanding	Amounts Due in
	<u>06/30/13</u>	<u>06/30/13</u>	<u>06/30/13</u>	<u>06/30/14</u>	<u>One Year</u>
<b>Governmental activities:</b>					
Capital lease payable	\$ -	\$ 162,044	\$ -	\$ 162,044	\$ 33,811
Compensated absences	<u>141,452</u>	<u>46,863</u>	<u>(38,209)</u>	<u>150,106</u>	<u>51,405</u>
Total long-term obligations, governmental activities	<u>\$ 141,452</u>	<u>\$ 208,907</u>	<u>\$ (38,209)</u>	<u>\$ 312,150</u>	<u>\$ 85,216</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employees salaries are paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

Capital Lease Obligation: The capital lease obligation is paid from the general fund. See Note 8 for more details.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$6,634,184 and an unvoted debt margin of \$73,713.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Nationwide/Wausau		
Each occurrence		\$ 2,000,000	No Deductible
Aggregate		4,000,000	No Deductible
Building and contents	Indiana Insurance Co.	16,860,364	\$1,000
Fleet:	Indiana Insurance Co.		
Liability		2,000,000	0
Collision		Actual Cash Basis Value	500
Uninsured motorist		1,000,000	500
Auto medical		5,000	0
Physical Damage:			
Comprehensive		Actual Cash Basis Value	100

**B. Health Insurance**

For fiscal year 2014, the District has elected to provide health care benefits to employees and administrators through Aultcare, located in Canton, Ohio. The family monthly premium for Medical/Rx/Dental insurance was \$744.88, of which certified staff members contributed \$22/month and classified staff members contributed \$10/month. The board paid the balance.

The single monthly premium for Medical/Rx/Dental insurance was \$349.54, of which certified staff members contributed \$11/month and classified staff members contributed \$5/month. The board paid the balance.

**C. Workers' Compensation**

For fiscal year 2014, the District participated in the OSBA/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$71,544, \$81,298 and \$82,187, respectively; 79.84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$229,800, \$240,209 and \$270,283, respectively; 84.21 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$13,573 made by the District and \$10,665 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$11,506, \$14,029 and \$17,140, respectively; 79.84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$4,151, \$4,592 and \$4,854, respectively; 79.84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$17,677, \$20,971 and \$21,499, respectively; 84.21 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 293,199
Net adjustment for revenue accruals	235,660
Net adjustment for expenditure accruals	37,048
Funds budgeted elsewhere	4,531
Adjustment for encumbrances	4,676
GAAP basis	<u>\$ 575,114</u>

Certain funds that are legally budgeted in a separate special revenue fund and an agency fund, are considered part of the general fund on a GAAP basis. This includes the public school support fund and the unclaimed monies fund.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	79,684
Current year qualifying expenditures	(12,577)
Current year offsets	<u>(67,107)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 16 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 2,652
Nonmajor governmental funds	<u>22,580</u>
Total	<u>\$ 25,232</u>

**NOTE 17 - SUBSEQUENT EVENTS NOTE**

- A. On June 11, 2014, the Board of Education approved a resolution to proceed with placing 2 renewal levies on the November 4, 2014 ballot. One is for the purpose of permanent improvements and the other is for the purpose of preventing an operating deficit. Both levies were passed by voters in the November 2014 election.
  
- B. On December 18, 2014, the Board of Education approved a resolution authorizing lease-purchase financing not to exceed \$2,500,000 for the purpose of providing for the acquisition, construction, equipping, installation, and rehabilitation of building improvements and related equipment for classroom and other school facilities.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Conotton Valley Union Local School District  
Harrison County  
21 Mound Street  
P.O. Box 187  
Sherrodsville, Ohio 44675

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 9, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider Finding 2014-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to the Finding***

The District's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 9, 2015

CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2014

FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-001

**Significant Deficiency**

The District's internal control procedures over non-payroll cash disbursements require that the invoice or copy of the purchase order be marked by initialing, circling, and dating the "Verification of Receipt of Goods" section of the purchase order to indicate that goods / services were received.

During fiscal year 2014, 55% of expenditure transactions tested were not marked to indicate that the purchased goods / services were received. The lack of this control increases the risk that the District will pay for goods / services that were not received.

District employees should sign off on invoices or purchase orders after verifying the goods / services were received for each applicable expenditure transaction.

**Officials' Response:** Central office will insure that all related parties who should be signing off on purchase orders will be aware of the requirement and will complete the sign-off.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-02	Material Weakness - Nutrition Cluster - Food Service Coordinator did not sign off on all purchases to indicate approval as allowable costs of the Nutrition Program Cluster.	No	Partially Corrected; The District has made progress in obtaining the Food Service Coordinator's signature on purchases. The current Food Service Coordinator (Laramie Kimble) on March 27, 2015, was informed that she should be signing off on food service purchases to indicate her approval of the expenditures as allowable costs.
2013-001	Significant Deficiency – Purchase orders not marked by District personnel to verify receipt of goods/services.	No	Not Corrected; Reissued as Finding 2014-001.



# Dave Yost • Auditor of State

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT**

**HARRISON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 14, 2015**